

**RED ROCK CENTER FOR INDEPENDENCE
(NONPROFIT ORGANIZATION)**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

RED ROCK CENTER FOR INDEPENDENCE

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Red Rock Center for Independence
St. George, Utah

We have audited the accompanying statement of financial position of the Red Rock Center for Independence (a non-profit organization) as of September 30, 2005, and the related statements of activities; functional expenses; and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Red Rock Center for Independence as of September 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2005, on our consideration of Red Rock Center for Independence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 15, 2005

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RED ROCK CENTER FOR INDEPENDENCE

Statement of Financial Position

As of September 30, 2005

Assets

Current Assets:

Cash and cash equivalents	\$	60,969
Grants receivable		16,223
Restricted Cash		<u>5,557</u>

Total Current Assets		<u>82,749</u>
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Fixed Assets:

Furniture and equipment		57,418
Vehicles		-
Accumulated depreciation		<u>(40,925)</u>

Total fixed assets		<u>16,493</u>
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Total Assets	\$	<u>99,242</u>
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Liabilities and net assets

Current Liabilities:

Accounts Payable	\$	741
Payroll liabilities		1,103
Accrued vacation		<u>5,774</u>

Total current liabilities		<u>7,618</u>
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Total liabilities		<u>7,618</u>
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Net Assets

Unrestricted		86,067
Restricted		<u>5,557</u>

Total net assets		<u>91,624</u>
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Total liabilities and net assets	\$	<u>99,242</u>
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The accompanying notes are an integral part of the financial statements.

RED ROCK CENTER FOR INDEPENDENCE

Statement of Activities

For the Year Ended September 30, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Grant income	\$ -	\$ 463,871	\$ 463,871
Contribution income	3,883	-	3,883
Fundraisers	8,562	-	8,562
Interest income	564	-	564
Satisfaction of grant restrictions	466,052	(466,052)	-
Total revenues, gains, and other support	479,061	(2,181)	476,880
Expenses and losses:			
Program services:			
Program A - Independent Living	474,326	-	474,326
Support services:			
Fund-raising	4,782	-	4,782
Total expenses and losses	479,108	-	479,108
Change in net assets	(47)	(2,181)	(2,228)
Net assets at beginning of year	86,114	7,738	93,852
Net assets at end of year	\$ 86,067	\$ 5,557	\$ 91,624

The accompanying notes are an integral part of the financial statements.

RED ROCK CENTER FOR INDEPENDENCE

Statement of Cash Flows

For the Year Ended September 30, 2005

Cash flows from operating activities

Cash received from grants	\$ 460,947
Cash received from contributions	3,883
Cash received from fundraisers	8,562
Interest received	564
Cash paid for program expenses	(465,948)
Cash paid for fund-raising	(4,782)

Net cash provided by operating activities	3,226
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Cash flows from investing activities:

Purchase of fixed assets	(5,077)
Disposition of fixed assets	3,802

Net cash used by investing activities	(1,275)
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Net increase in cash and cash equivalents	1,951
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Cash and cash equivalents, beginning of year	64,575
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Cash and cash equivalents, end of year	\$ 66,526
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Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets	\$ (2,228)
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,183
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	(2,925)
Increase/(Decrease) in accounts payable	(226)
Increase/(Decrease) in payroll liabilities	345
Increase/(Decrease) in accrued vacation	1,077

Net cash provided by operating activities	\$ 3,226
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Supplemental Schedule of noncash investing and financing transactions:

Disposal of obsolete fixed assets	\$ 48,158
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The accompanying notes are an integral part of the financial statements.

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Background

Red Rock Center for Independence (a non-profit organization) was organized under the laws of the State of Utah and began operation on May 30, 1997. The Organization was organized to act as a catalyst and coordinate with civic groups, service organizations, and individuals, as needed, to achieve awareness of issues and needs of people with disabilities and to stimulate a coordinated community effort to actively address those issues/needs, promoting the general welfare and independence of people with disabilities. The Organization is primarily funded by grants through the State of Utah and the Department of Education.

General

The accompanying financial statements of the Red Rock Center for Independence have been prepared in accordance with generally accepted accounting principles which require the use of management estimates and the accrual basis of accounting. Contributions are recorded when received unless susceptible to accrual.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

During the year ended September 30, 2005, the Organization benefitted from the services of volunteer peer counselors. The value of the contributed services did not meet the requirements for recognition and, therefore, has not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows and footnote 2, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Office and other supplies are deemed immaterial and not recorded.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property and equipment is provided on the straight-line method over their estimated useful lives as follows:

Vehicles	5 years
Equipment	5-10 years
Furniture & Fixtures	5-10 years

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Major renewals and betterments are capitalized. Gains or losses on dispositions of property and equipment are included in revenue in the year of disposition.

Income Taxes

No amounts have been paid or accrued for income taxes as the Organization is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2: CASH AND INVESTMENTS

At year end the carrying amount of the Organization's deposits was \$66,476 and the bank balance was \$87,443. Of the bank balance, \$87,443 was covered by federal depositor insurance.

The Organization's deposits at year end are shown as follows:

	<u>Carrying Amount</u>
Cash on hand	\$ 50
Cash in bank	<u>66,476</u>
Total	<u>\$ 66,526</u>

Cash and investments are reported in the Statement of Financial Position as follows:

Cash and cash equivalents	\$ 60,969
Restricted cash	<u>5,557</u>
Total	<u>\$ 66,526</u>

Restricted cash is cash held that must be used according to the grant agreements. All grant restricted funds are held in non-interest bearing bank accounts. Unrestricted cash is held in accounts that bear interest.

NOTE 3: GRANTS RECEIVABLE

Grants receivable for services provided is \$16,223 net of allowance for doubtful accounts of \$0.

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net asset account is comprised of the unspent portion of grant money that is restricted to use.

NOTE 5: PROPERTY AND EQUIPMENT

The following table summarizes the changes to fixed assets during the year ended September 30, 2005. Depreciation expense for the year ended September 30, 2005 is \$7,183.

	Balance 9/30/2004	Additions	Disposals	Balance 9/30/2005
Vehicles	\$ 8,405	\$ -	\$ 8,405	\$ -
Furniture & Equipment	<u>92,094</u>	<u>5,077</u>	<u>39,753</u>	<u>57,418</u>
Total	100,499	5,077	48,158	57,418
Less Accumulated Depreciation	<u>81,302</u>	<u>7,183</u>	<u>47,560</u>	<u>40,925</u>
	<u>\$ 191,197</u>	<u>\$ (2,106)</u>	<u>\$ 598</u>	<u>\$ 16,493</u>

NOTE 6: LEASE COMMITMENT

The company leases office space under an operating lease that begins December 1, 2004. Rent expense for the year ended September 30, 2005 is \$23,329.

Future minimum operating lease commitments are as follows:

Year Ended September 30,	
2006	\$ 25,512
2007	25,512
2008	25,512
2009	25,512
2010	<u>6,378</u>
Total	<u>\$108,426</u>

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

NOTE 7: RETIREMENT PLAN

The Organization contributes five percent of the gross pay of eligible employees into the individuals' Simplified Employer Pension Individual Retirement Account (SEP IRA) plan held at Edward Jones. Full-time employees are eligible to participate after a 90 day waiting period and are 100% vested in all contributions made to their accounts. Contributions are made based on regular payroll compensation for each eligible employee. For the year ended September 30, 2005, employer contributions were \$11,134.

NOTE 8: RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization maintains insurance for auto liability, employee dishonesty and general liability through private insurance companies. Worker's Compensation is carried through the State Worker's Compensation Fund.

RED ROCK CENTER FOR INDEPENDENCE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

SUPPLEMENTARY INFORMATION

<u>Expense Category</u>	<u>Program A Independent Living</u>	<u>Fundraising</u>	<u>Total</u>
Communication	\$ 9,024	\$ -	\$ 9,024
Conferences and training	6,298	-	6,298
Depreciation	7,183	-	7,183
Dues and fees	6,787	-	6,787
Home modifications/equipment	26,062	-	26,062
Insurance	3,459	-	3,459
Legal and accounting	4,500	-	4,500
Printing	6,739	-	6,739
Rent	25,880	-	25,880
Repairs and maintenance	5,644	-	5,644
Salaries and wages	307,486	-	307,486
Supplies	9,637	-	9,637
Travel expense	43,223	-	43,223
Utilities	6,220	-	6,220
Other expenses	6,184	-	6,184
Fundraising expenses	-	<u>4,782</u>	<u>4,782</u>
Total expenses	<u>\$ 474,326</u>	<u>\$ 4,782</u>	<u>\$ 479,108</u>

See accountants' report.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Red Rock Center for Independence

We have audited the financial statements of Red Rock Center for Independence (a Nonprofit organization) as of and for the year ended September 30, 2005, and have issued our report thereon dated December 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Red Rock Center for Independence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Red Rock Center for Independence's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, and the state of Utah and is not intended to be and should not be used by anyone other than these specified parties.

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 15, 2005

HAFEN
BUCKNER
EVERETT
& GRAFF, PC
INDEPENDENT AUDITORS' REPORT ON
STATE LEGAL COMPLIANCE
CERTIFIED PUBLIC
ACCOUNTANTS

Executive Director and Members of the Board
Red Rock Center for Independence
St. George, Utah

We have audited the financial statements of Red Rock Center for Independence, a nonprofit corporation, for the year ended September 30, 2005, and have issued our report thereon dated December 15, 2005. As part of our audit, we have audited the Red Rock Center for Independence's compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended September 30, 2005. Red Rock Center for Independence received the following major assistance programs from the State of Utah:

USOR - Division of Rehabilitation

The management of Red Rock Center for Independence is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of non-compliance with the requirements referred to above.

In our opinion, the Red Rock Center for Independence complied, in all material aspects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended September 30, 2005.

Hafen, Buckner, Everett & Graff, PC
HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 15, 2005

CERTIFIED PUBLIC
ACCOUNTANTS

Board of Directors
Red Rock Center for Independence
St. George, Utah

In planning and performing our audit of the financial statements of Red Rock Center for Independence for the year ended September 30, 2005, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. (We previously reported on Red Rock Center for Independence's internal control in our report dated December 15, 2005.) This letter does not affect our report dated December 15, 2005, on the financial statements of Red Rock Center for Independence.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with Red Rock Center for Independence management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

PAYROLL

Finding: We noted that the Organization runs the payroll checks several days before the end of the pay period in order to have them signed and ready for distribution on the last day of each pay period. Because the pay period has not ended when checks are run, vacation, sick time and sometimes hours worked do not agree to the time card for that period. We noted that most of the records are corrected and the next pay check is adjusted for any differences from the prior pay period; however some records are not corrected. This method of calculating the processing payroll results in inefficiencies and a greater possibility of error.

Recommendation: In order to increase efficiency, reduce the clerical work of processing and verifying payroll each period, and in order to minimize the risks of error, we recommend that payroll be calculated and processed some reasonable amount of time, such as five days, after the end of the pay period.

EXPENDITURES

Finding. Some expenditures for monthly rent were not noted to be approved prior to payment.

Recommendation. We recommend that approval be noted on invoice or other supporting documentation prior to payment.

We wish to thank Red Rock Center for Independence's personnel for their support and assistance during the course of our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss these matters with you further at your convenience.

Yours truly,

Hafen, Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT & GRAFF, PC
December 15, 2005